

STATE DEPARTMENT: IN THE LEAD ON FOREIGN POLICY?

WEDNESDAY, FEBRUARY 14, 2001

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Committee met, pursuant to call, at 10:35 a.m. in Room 2172 Rayburn House Office Building, Hon. Henry J. Hyde (Chairman of the Committee) presiding.

Chairman HYDE. The Committee will come to order.

Over the past decade, there have been many studies focused on how to bring the State Department and American foreign policy into the 21st century.

Many inside and outside government have placed great hope in the appointment of Colin Powell as Secretary of State. Indeed, this hope is well placed. Secretary Powell is the first Secretary of State since the era of George Marshall and Dean Acheson who brings substantial experience managing large government institutions.

During the Marshall and Acheson era, the United States created new international structures to carry out the new responsibilities of global leadership that we inherited at the end of the second World War. Many foreign policy institutions were designed at that time, including the United Nations, the World Bank, the IMF, the Marshall Plan, as well as the U.S. Information Agency and the Voice of America. The State Department also underwent dramatic changes during that period.

Today, half a century later, there may be a consensus that the old institutions, the old ways of doing business, the old ways of thinking about international relations need to be revisited and re-evaluated.

Recently, approximately 1,500 State Department employees signed a petition asserting that the Department is ill-equipped and ill-prepared to meet the foreign policy challenges of the 21st century. According to these employees, the Department's own culture and traditions have blocked needed changes, and the Department is "the weak link in the national security chain."

Over the past several years a number of studies have been published evaluating the shortcomings and the need for the State Department to modernize its organization. The world's political, economic, and technological profile has changed, particularly with the globalization of issues, yet somehow, the State Department has been unable to keep pace with these changes. Early in the Clinton Administration, the State Department undertook some reforms

under the rubric of the National Performance Review. Some were made, but many others just faded away.

So the greatest challenge to this Committee is to find the answer to the core question: Is the State Department in need of serious reform and, if so, how can we best assist in accomplishing that reform.

I do want to recognize the valuable work of the Foreign Service and the Civil Service who serve at the State Department. They are often put in harm's way to carry out difficult and often little-recognized tasks on behalf of U.S. national interests. Reforms that may be contemplated should reflect their interest and concerns.

Today, as this Committee begins the legislative process of reauthorizing funding for the State Department, we look forward to hearing the recommendations of our witnesses.

[The prepared statement of Mr. Hyde follows:]

PREPARED STATEMENT OF THE HONORABLE HENRY J. HYDE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AND CHAIRMAN, COMMITTEE ON INTERNATIONAL RELATIONS

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Today, half a century later, there may be a consensus that the old institutions, the old ways of doing business, the old ways of thinking about international relations, need to be revisited and reevaluated.

Recently, approximately fifteen hundred State Department employees signed a petition asserting that the Department is ill-equipped and ill-prepared to meet the foreign policy challenges of the 21st century. According to these employees, the Department's own culture and traditions have blocked needed changes and the Department is "the weak link in the national security chain."

Over the past several years a number of studies have been published evaluating the shortcomings and the need for the State Department to modernize its organization. The world's political, economic, and technological profile has changed particularly with the globalization of issues, yet somehow the State Department has been unable to keep pace with these changes. Early in the Clinton Administration the State Department undertook some reforms under the rubric of the National Performance Review. Some were made but many others just faded away.

So the greatest challenge to this Committee is to find the answer to the core question—is the State Department in need of serious reform, and if so, how can we best assist in accomplishing that reform?

I do want to recognize the valuable work of the Foreign Service and the Civil Service who serve at the State Department. They are often put in harms way to carry out difficult, and often little recognized tasks on behalf of U.S. national interests. Reforms that may be contemplated should reflect their interests and concerns.

Today, as this Committee begins the legislative process of reauthorizing funding for the State Department, we look forward to hearing the recommendations of our witnesses.

Now I will yield to the distinguished ranking Democratic member from California, Tom Lantos.

Chairman HYDE. I now take great pleasure in yielding to the distinguished Ranking Democratic Member from California, Mr. Tom Lantos.

Mr. LANTOS. Thank you very much, Mr. Chairman. First I want to congratulate you for calling this extremely timely and important hearing. I think it is very appropriate that the first hearing of the International Relations Committee in the new Congress deal with the role of the State Department.

We have heard a great deal about the state of readiness of our Armed Forces, and it certainly is important to make sure that our men and women in uniform are fully trained and equipped to safeguard our Nation. But as my good friend, the new Secretary of State, Colin Powell, has been known to repeat time and time again, diplomacy is our first line of defense. We rely on our State Department and on our embassies for everything from negotiating treaties and representing our national interests to issuing visas and passports to assisting U.S. citizens and companies and students and travelers as they face obstacles abroad.

With the end of the Cold War and the advent of a new age of globalization and interdependence, the importance of exercising American leadership through international engagement cannot be overstated. In this very complex international environment, the demands we place on our embassies and on our Department of State have increased dramatically. In the post-Cold War era, the opportunities for engagement have multiplied.

Today, our diplomats interact not only with governments, but with civil society, NGOs, academic and business leaders across the globe. We call upon our embassies to help in times of crises or medical emergencies when we are overseas. They help coordinate assistance during international disasters, and advocate American ideals through public diplomacy.

The new threats to our national security that have emerged since the fall of the Berlin Wall have also placed dramatic additional demands on our diplomatic corps. International terrorism, drugs, illegal immigration, are just a few of the foreign policy challenges we face today. Yet, as our witnesses know full well, our foreign policy apparatus has not kept pace with this changing and more demanding environment. The bombing of our embassies in Kenya and Tanzania shocked us out of our complacency and showed us just how vulnerable we are to attack.

We take a great deal of pride and comfort in knowing that we have the best-trained and best-equipped military on Earth. Our soldiers use state-of-the-art technology to maximize their effectiveness while minimizing their vulnerability. Yet, we have allowed our embassies to fall into a state of disrepair. We have not provided cutting-edge communications and computer technology to our diplomats either here at home or abroad. This is not only a matter of national prestige, it is a matter of our national security policy.

Countless studies have told us what we already know. We must modernize and rebuild our diplomatic forces, or we may find ourselves relying increasingly on our Armed Forces. It is time now for Congress and the Administration to provide the political will and the financial means to carry out these changes.

The President tomorrow will visit the State Department, and I hope he and Secretary Powell will use the occasion to signal their commitment to this issue, as we in Congress are doing with this hearing today.

With that, I welcome the testimony of our distinguished colleague from the Appropriations Committee, Mr. Carlucci, and Mr. Kaden, and indicate that Chairman Hyde and I are united in our determination to give the Department of State and our embassies overseas all the assistance and help and resources they need to represent the United States in a first-class fashion. Thank you, Mr. Chairman.

[The prepared statement of Mr. Lantos follows:]

PREPARED STATEMENT OF THE HONORABLE TOM LANTOS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA

I want to thank the Chairman for this very timely hearing. It is very appropriate that the first hearing of IR Committee in the new Congress and in the new Administration relates to the role of the State Department.

We have heard a great deal of talk about the state of readiness of our Armed Forces. Certainly, it is important to make sure that our men and women in uniform are fully trained and equipped to safeguard the nation.

But, as my good friend and the new Secretary of State Colin Powell has said repeatedly, diplomacy is our first line of defense. We rely on the State Department and our embassies for everything from negotiating treaties and representing our national interests to issuing visas and passports to assisting U.S. citizens, students, travellers, and companies that face obstacles abroad.

With the end of the Cold War and the advent of a new age of globalization and interdependence, importance of exercising American leadership through international engagement cannot be overstated. In this complex international environment, the demands we place on our State Department and our embassies have increased dramatically.

In the post Cold War era, the opportunities for engagement have multiplied. Today, our diplomats interact not only with government officials, but also with civil society, NGOs, academics and business leaders. We call upon our embassies to help in times of crisis or medical emergencies when we are overseas. They help coordinate assistance during international disasters and advocate American ideals through public diplomacy.

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This is not only a matter of our national prestige, it is a matter of our national security.

Countless studies have told us what we already know: We must modernize and rebuild our diplomatic forces or we may find ourselves relying increasingly on our armed forces.

It is time now for Congress and the Administration to provide the political will and the financial means to carry out these changes.

As President Bush visits the State Department tomorrow, I hope he and Secretary Powell will use the occasion to signal their commitment to this issue as we in Congress are doing in this hearing today.

With that, I welcome the testimony of our colleague from the Appropriations Committee and Mr. Carlucci and Mr. Kaden.

Chairman HYDE. I thank the gentleman.

I would like to welcome Congressman Hal Rogers who, for the past 6 years, has served as the Chairman of the Commerce, Justice, State and Judiciary Appropriations Subcommittee. He has a

great deal of experience with the operations of the State Department, and the condition of our embassies, and has thoughtfully tackled the many issues raised by the multitude of reports on the State Department. We welcome his sage comments on the Department and on the direction for reform.

Thank you very much for coming, Hal, and if you could endeavor to confine your remarks to a 5 minute summary, it would be appreciated.

STATEMENT OF THE HONORABLE HAROLD ROGERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KENTUCKY

Mr. ROGERS. Mr. Chairman, thank you so much. Let me add the congratulations from the Appropriations Committee to your ascension to be Chairman of this great Committee, and to say the same to Mr. Lantos, our longtime friend, and to thank Ben Gilman for his continuing great service to this Committee and to the Congress and our people. Because of the warm relationship that we enjoy with the Chairman and the former Chairman and the Ranking Member and the Members of the Committee, I don't feel like an appropriator in the authorizations committee room. I don't feel like the ancient Christian at the colosseum, thanks to you. I am delighted to be with you and to see so many friends here.

Mr. Chairman, I want to also thank you for bringing this matter to the attention of the Congress as your first order of business. I can't think of a more important matter for this Committee to address than the reform—modernization, if you will—of the State Department. As you attempt to drag this institution into at least the 18th century, I want to thank you for beginning this effort.

During my some 18 years on the Appropriations Subcommittee for State, including the last 6 as Chairman, we devoted significant amounts of our attention to the critical need to reform the State Department and to modernize the State Department, particularly in the management arena. And I think that is where we must focus our attention, on elevating the importance of the management of this worldwide, huge organization of immense complications. And yet, in that agency, there is no person that is elevated to a degree of importance in charge of the management of this agency, the everyday, day-to-day, nitty-gritty, unglamorous management of this organization, and that is where I think we can be of most help.

I want to commend Secretary Carlucci and the other members of the task force for their work on this issue, and in doing so, I would point out that the need for reform is so widely acknowledged that this latest task force had no need to further investigate that question. They merely had to synthesize and to distill the many similar recommendations that have piled up over the years, including those included in the very outstanding report released last year by the Overseas Presence Advisory Panel chaired by Lew Kaden, from whom you will hear soon.

I will focus my remarks, Mr. Chairman, in two general areas. First I want to address the Carlucci Report's central idea: a grand agreement between the Administration and the Congress on resources-for-reform: A trade. We will give them the resources, but we have to have the reform. It is just that simple. I think from the

congressional perspective, that is the way that we can achieve what all of us want.

Second, I want to offer my views on some of the more specific reforms proposed in that report and share some experiences of mine in trying to implement such reforms in the past.

The task force proposes to the incoming Secretary of State a strategy that links additional resources to an early and decisive commitment to reform. I agree that such a commitment is necessary to begin to recapture the confidence of the Congress and the Department. But, I don't believe, Mr. Chairman, that just a commitment by the President and Secretary of State will be enough. We have heard this before. Every President since I have been here, every Secretary of State since I have been here, has always said at the outset, we need to reform the Department of State and we are going to do it; give us a chance. And we give them the resources, and nothing happens. It just gets swallowed up in that huge bureaucracy that is the most immune to change of any, I think, in the Federal Government.

We need some real results. Many of us, including many in this room, have been pushing the Department for reform and management improvements for years, with precious little to show for that effort. Many of the reforms advocated in this report and in previous reports are not directly linked to additional appropriations. It is not a money question. And I would include in this category the right-sizing and the regionalization of overseas posts, strengthening the authority of the ambassador in that post, improving interagency coordination. Nowadays, as you well know, we don't just have the State Department in that embassy, we have the Department of Agriculture and the FBI and the Commerce Department, Immigration, and all of the others in that post, supposedly managed and directed by the ambassador, but we all know that those employees of those other agencies listen to the bosses back here in the Department of Agriculture and the like, who pay their salary, and rightly so. But we must address just what authority that ambassador in that country has over those non-State Department employees who are stationed at his post; also, the ambassador's authority in making organizational changes that align responsibility for management and resources and that rationalize the management of overseas property. I believe that progress could be made quickly in all of these areas, independent of any additional appropriations.

Of the major reforms in the Carlucci Report that are dependent on more resources, specifically embassy security and information technology, I would remind the Committee of the robust funding that the Congress has already provided, particularly over the past 3 years. In fiscal year 1999, we appropriated \$1.4 billion to replace Nairobi and Dares Salaam, to get the ball rolling on worldwide security upgrades and to launch a worldwide new embassy construction program. In fiscal year 2000, we appropriated an additional \$568 million to continue that effort, the full amount requested by the previous Administration. Most recently, the Fiscal Year 2001 Appropriations Act included \$1.07 billion for embassy security, \$15 million more than was requested by the Department.

I suggest to you that the most relevant question now before this Committee is not have we provided enough money; but rather the

question is, is the State Department up to the task of responsibly managing the money it has been given and the mission given to it by the Congress?

In the area of information technology, the Congress created a new appropriations account in 1995, the Capital Investment Fund, specifically to provide the Department with a pool of money to develop and modernize its automated systems. In the current fiscal year, Congress provided \$97 million for that account, including a program increase of \$17 million specifically to fund a pilot project to establish a common technology platform at overseas posts, a need identified in both the Kaden and the Carlucci Reports. The \$97 million provided for the Capital Investment Fund for fiscal year 2001 is the centerpiece of an overall State Department resource management budget of over \$500 million that this Congress agreed to provide, every penny the President requested for that purpose.

The 2001 appropriation for diplomatic and consular programs, the Department's principal operating account, totals \$3.17 billion. That is \$30 million more than was requested of us, a 12 percent increase I would point out, over the previous years. These figures defy the hollow claims read about in the press from the Department that Congress has been starving the Department of needed appropriations. In fact, the Congress has delivered resources year after year after year after year, more than was requested, and we are still waiting for reform. In spite of the valiant efforts of this Committee under Chairman Gilman and others, the Department still is resistant to change.

With regard to specific reform recommendations, I agree wholeheartedly with the report's finding that the Department needs a chief operating officer. That is a shortcoming that many Department officials have brought to my attention over the years. As I said before, with this kind of a multibillion-dollar budget flung across 190-some countries with tens of thousands of employees, many of them under threat of their life as they work all around the world, there is not a single person in the Department of stature that has charge of the management, the simple day-to-day management of this huge organization. Oh, yes, there is an Under Secretary for Management, and she is way down here, and the Secretary and Deputy Secretary are way up here. You need to elevate the importance of management. I think that is the single most important shortcoming of the Department, is the lack of a person with authority in charge of management.

To remedy that problem, I included, with the concurrence of Ben Gilman and others on this Committee in the 2001 appropriations bill, a new position for the Department, a Deputy Secretary for Management and Resources, on a similar status with the Deputy Secretary for Policy, to elevate the importance of management. I expect the new Administration will utilize that new position as a tool to realign and strengthen responsibility for day-to-day operations, as well as for budgeting and planning.

Now, the Carlucci Report would like to do as the Department has always done, and this is one part of the Carlucci Report I disagree with, they would again combine, recombine and just have one Deputy Secretary. That has been the problem over the years. When it

comes to a battle between policy and management, guess which one gets the glamorous TV coverage? It is policy. We need to be sure that management of the Department is as important as policy from our perspective, and be sure that we keep those two positions separate. I think that is critically important to the success of modernization of the bureaucracy of the State Department.

I strongly support the establishment of a federally chartered government corporation, as the Carlucci and Kaden reports both recommend, to more efficiently construct and manage the Department's real estate around the world, as well as the development of

saying thereof. The Congress has proven willing to provide significant increases for the Department, particularly over the last 2 years, and particularly for critical facilities improvement and information technology programs. At the same time, Congress and others have identified several important areas in need of reform. I would take exception to the idea that the achievement of these reforms is contingent upon or should be undertaken in exchange for new additional infusions of dollars. As I have said before, and I say almost in conclusion, dollars ain't the problem.

So, Mr. Chairman, thank you for having the hearing today and focusing attention on this most important aspect of our Nation's national security. I am among those who believe that reform should be priority number one at the Department. So thank you for giving me the chance to testify and for your consideration.

[The prepared statement of Mr. Rogers follows:]

PREPARED STATEMENT OF THE HONORABLE HAROLD ROGERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KENTUCKY, AND FORMER CHAIRMAN, SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE AND JUDICIARY, OF THE COMMITTEE ON APPROPRIATIONS

Thank you, Mr. Chairman, for affording me the opportunity to speak before this Committee on the issue of State Department Reform. During my years on the Commerce-Justice-State Subcommittee of the Appropriations Committee, including the last five as Chairman, I devoted significant time and attention to this issue, because of the critical need to reform the bureaucracy and improve the management of the Department.

I commend Secretary Carlucci and the other members of the task force for their work on this issue, and in doing so, I would point out that the need for reform is so widely acknowledged, that this latest task force had no need to further investigate that question. They merely had to synthesize and distill the many similar recommendations that have piled up over the years, including those included in the outstanding report released last year by the Overseas Presence Advisory Panel, chaired by Lew Kaden.

I will focus my remarks in two general areas. First, I will address the Carlucci report's central idea: a grand agreement between the Administration and Congress on resources-for-reform. Second, I will offer my views on some of the more specific reforms proposed in the report, and share my experience in trying to implement such reforms in the past.

RESOURCES FOR REFORM

The task force proposes to the incoming Secretary of State a strategy that links additional resources to an early and decisive commitment to reform. I agree that such a commitment is necessary to begin to recapture the confidence of the Congress in the Department. However, I don't believe that just a "commitment" by the President and the Secretary of State will be enough. We need some real results. Many of us have been pushing the Department for reform and management improvements for years with precious little to show for the effort.

Many of the reforms advocated in this report, and in previous reports, are *NOT* directly linked to additional appropriations. I would include in this category the right-sizing and regionalization of overseas posts, strengthening the authority of the Ambassador, improving interagency coordination, and making organizational changes that align responsibility for management and resources and that rationalize the management of overseas property. I believe that progress could be made quickly in all these areas, independent of any appropriations increase.

Of the major reforms in the Carlucci report that *ARE* dependent on resources, specifically Embassy Security and Information Technology, I would remind this Committee of the robust funding that the Congress has already provided, particularly over the past three years.

In fiscal year 1999 we appropriated \$1.4 billion to replace the Nairobi and Dar embassies, to get the ball rolling on worldwide security upgrades, and to launch a worldwide new embassy construction program. In fiscal year 2000, we appropriated an additional \$568 million to continue that effort, the full amount requested by the Administration. Most recently, the fiscal year 2001 Appropriation Act included \$1.07

billion for embassy security, \$15 million above the President's request. I suggest to you that the most relevant question now before you is not: "Have we provided enough money?"; but rather, "Is the State Department up to the task of responsibly managing the money it's been given?"

In the area of information technology, the Congress created a new appropriations account in 1995, the Capital Investment Fund, specifically to provide the Department with a pool of funds to develop and modernize its automated systems. In the current fiscal year, Congress provided \$97 million for this account, including a program increase of \$17 million specifically to fund a pilot project to establish a common technology platform at overseas posts, a need identified in both the Kaden and Carlucci reports. The \$97 million provided for the Capital Investment Fund for FY 2001 is the centerpiece of an overall State Department Information Resource Management budget of over \$500 million that this Congress agreed to provide, and that matched the President's request to the penny.

The FY 2001 appropriation for "Diplomatic and Consular Programs", the Department's principal operating account, totals \$3.17 billion, \$30 million more than the previous Administration requested, and a 12% increase over the previous year. These figures defy the hollow claims that Congress has been "starving" the Department of needed appropriations. In fact, Congress has delivered resources year after year, yet we are still waiting for reform.

SPECIFIC REFORMS

With regard to specific reform recommendations, I agree wholeheartedly with the report's finding that the Department needs a Chief Operating Officer. This is a shortcoming that many Department officials have brought to my attention over the years. To remedy this problem, I included a provision in the FY 2001 bill, with the help of Chairman Gilman and others, to establish a new position in the Department: A Deputy Secretary for Management and Resources. I expect that the new Administration will utilize this new position as a tool to realign and strengthen responsibility for day-to-day operations as well as for budgeting and planning.

I strongly support the establishment of a Federally-chartered government corporation to more efficiently construct and manage the Department's overseas buildings, as well as the development of a more accurate cost-sharing system with other agencies. This was the most visionary recommendation in the Kaden report, and therefore the one that is most likely to meet resistance within the Department. In the FY 2001 Appropriations Act, the Congress required the submission of a plan to implement this new organization, something we eagerly await.

One additional reform that I strongly support is the effort to right-size overseas posts. The lack of any meaningful controls on overseas staffing decisions has led to a situation where staff and resources are allocated around the world without regard to any particular mission-specific or regional strategy. The Appropriations Committee has directed the Department in the past to take various measures to rationalize staffing levels and to align staffing with foreign policy objectives. Those efforts were unsuccessful because the Department does not have the authority to overrule other agencies' staffing decisions. An interagency mechanism is needed, along with an increase in the authority of the Ambassador, in order to stem the proliferation of overseas staff without regard to mission priorities. We are awaiting a report from the Department on how the right-sizing effort will be carried to all overseas posts, and I am convinced that this effort should result in efficiencies and overall budget savings.

CONCLUSION

Let me close Mr. Chairman, by again congratulating the task force on their report, and adding my voice to those who are trying to draw the attention of this new Administration to the urgent need for reform in the State Department. The new Administration should find a Congress that is willing to continue to provide adequate funding for the State Department, but that is anxiously waiting for reform to begin.

The Congress has proven willing to provide significant increases for the Department, particularly over the last two years, and particularly for critical facilities improvement and information technology programs. At the same time, Congress and others have identified several important areas in need of reform. I would take exception to the idea that the achievement of these reforms is contingent upon, or should be undertaken in exchange for, a new, additional infusion of appropriations.

Mr. Chairman, thank you for having this hearing today. I am among those who believe that reform should be priority number one at the Department, so thank you for allowing me to testify, and for your time and consideration.

Chairman HYDE. Well, thank you very much, Hal. You have made a great contribution. You were our very first witness, and a good one you were. We normally do not question Members of Congress. We were going to make an exception for you, but time marches on, and Mr. Carlucci has a very important appointment, and I am sure Mr. Kaden does as well. But Mr. Gilman wanted some time to make some comments, so I will yield 1 minute to him.

Mr. GILMAN. Thank you, Mr. Chairman.

I want to commend Mr. Rogers for his intensive work. He has worked on Appropriations for such a long time, and with the State Department. He comes here with a great deal of experience and a great deal of interest in seeking out appropriate reforms.

I want to particularly commend you for your recommendation for a mandatory Deputy Secretary position for Management and Resources, something we have looked at for many years and hopefully, the new Secretary of State will recognize the need to have a good chief operating manager to take care of the many problems. Your comments on a federally-chartered government corporation, I know Mr. Kaden is very much interested in that, and we look forward to trying to accomplish that in visiting posts around the world. We find that there is so much that has to be done to bring them up to date, to provide proper security, to provide decent quarters. I am sure that that kind of an autonomous group, a privatized group, can do a better job than the State Department has been doing.

And the information technology is abominable, and when you talked about the 18th century, that underscores how bad off we are in getting decent technology to a Department that is supposed to advise us on policy and about the problems that are occurring around the world.

So I hope that this Committee will focus its attention on these matters. We thank you, Mr. Rogers, for your in-depth report.

Mr. ROGERS. Thank you.

Chairman HYDE. Thank you very much.

Thanks, Hal.

On the second panel we have two distinguished gentlemen. Secretary Frank Carlucci, currently the chairman in the Carlyle Group. He served as Secretary of Defense from 1987 to 1989, as well as President Reagan's National Security Adviser in 1987. He has a long career in government, including being a member in the Foreign Service, and comes to us today having chaired the most recent independent task force that produced the report, "State Department Reform." previously he participated in the Henry L. Stimson Center report that also looked in depth at what changes needed to take place at the State Department to meet the challenges of the new century.

Mr. Lewis Kaden recently chaired the Overseas Presence Advisory Panel which produced an extensive report on the condition of the State Department. The report provided a series of recommendations that introduced best practices within the government bureaucracy and a blueprint for reform of the foreign policy apparatus. We welcome your return visit to this Committee, Mr. Kaden.

The reports that each of you worked on provided extremely valuable recommendations. We welcome the insights you gentlemen

offer today, and ask that you proceed with a 5-minute summary of your statement. Your full statement will be made a part of the Record. We will start off with Mr. Carlucci.

STATEMENT OF THE HONORABLE FRANK CARLUCCI, CHAIRMAN, REPORT OF AN INDEPENDENT TASK FORCE: "STATE DEPARTMENT REFORM;" CHAIRMAN AND PARTNER, THE CARLYLE GROUP

Mr. CARLUCCI. Mr. Chairman, I join in congratulating you and Mr. Lantos on assuming the leadership of this Committee. I have worked over the years with both of you, and I can't think of better leaders. I very much appreciate your inviting me here today, as chairman of an Independent Task Force sponsored by CSIS and the Council of Foreign Relations looking into the management of the State Department. I commend you for making this the first item on your agenda.

The State Department is an organization that is literally crying out for reform, and this Committee will play a key role. I am very encouraged by the statements that both of you have made that you will support reform of the State Department, and I think Mr. Rogers made an excellent statement. We do differ on one or two things, but I think he was right on target.

There is a certain symbolism to having a general as our Secretary of State. As many of you know, I am close to both him and Rich Armitage—they both worked for me at one point—because it emphasizes a link between our Defense Department and our State Department. I go back to the final days of the Cold War where rebuilding our defenses made it possible, but the diplomacy exercised by President Reagan, followed by President Bush, and designed by George Shultz, made it actually happen.

Since the end of the Cold War, we have taken down our defense establishment more than some of us think is prudent, but there is at least some rationale for decreasing our emphasis on defense. There is no rationale for the partial dismemberment of our diplomatic establishment. Why are we closing posts? Why are people forced to work with obsolete communications and in insecure and, at times, even unhealthy facilities? Why is State burdened by a dysfunctional personnel system, inadequate training, and lack of authority over other agencies? The list could go on and on. You yourself have mentioned some of them.

It is not surprising that the various blue ribbon commissions, one of which, as you mentioned, I chaired, all came to pretty much the same conclusion. Our task force was not one more blue ribbon commission; it was an effort to synthesize the various recommendations and present to the incoming Secretary of State an action plan so he could jump-start the revitalization process.

If we have been successful, and the report has attracted a good deal of attention, it has been due to two factors; one, the excellent drafting ability of Ian Brzezinski; and two, the bipartisan nature of the group, including two former Democratic Members of this Committee, one who was Chairman of the Committee and another who was Chairman of a Subcommittee. They participated very actively in our deliberations.

How do we fix the problem? As Mr. Rogers indicated, the heart of our report is a strategy of resources for reform. We don't call it a bargain, but we think the two need to go hand in hand. Some areas need resources to do the job, but it is quite clear, even from this morning's dialogue, that we will not get the resources unless reform goes forward.

How do we bring about that reform? Well, there is really one answer, and that is to make it a high national security priority, and we see three components to doing that. One is Presidential leadership. We think the President ought to issue a directive on the resources for reform strategy, laying out what his reform plan for the foreign policy establishment is. Secondly is identification of the roles of different agencies. He needs to issue a directive saying that the Secretary of State is his principal foreign policy adviser and foreign policy implementor. He needs to address this issue early on in one of his speeches. Perhaps tomorrow's visit to the State Department would be a good opportunity to identify with reform. And he needs to start himself the outreach to Congress. He should start the consultation process with the Members of this Committee and other relevant Committees so that you feel part of the process right from the beginning.

The authority of the ambassador needs, once again, to be clarified and strengthened. There is the famous Kennedy letter which I know Secretary Powell is currently reviewing. I think there are ways that more teeth could be put into that letter: give the Ambassador more control over other agency personnel evaluations, more control over assignments, and some input into the budget process. Our report has some recommendations along those lines. We think it would be healthy if the Administration were to send up to the Congress an integrated national security budget so you could see the trade-offs between the different components of our national security. The usual response is, well, that would be dead on arrival, because the Congress is not organized to deal with an integrated national security budget. That may be. But I still think it would be helpful to this Committee and other Committees if the Administration were to present such a display. As you know, the budget can be displayed any way the Administration thinks is appropriate. That kind of display should help you in your deliberations.

The third component of a resources-for-reform strategy is to move rapidly on some changes in the Department of State. Creating a chief operating officer is one. Should he be confirmed, that would be a role I would anticipate that Rich Armitage would fulfill. He worked for me at DOD and I think he is extremely capable of fulfilling that role. I would ask Mr. Rogers just to watch for a little while and see if Rich can't do the job, because one person does need to bring together policy and budget. There is no continuing rationale to having it bifurcated. It is a problem, and it is a legitimate congressional demand that you have made for a long time. I know that Secretary Powell intends to act on it.

Reform the human resources component of the State Department. There are a lot of deficiencies there, and I will leave Mr. Kaden to discuss those, because his report goes into some detail on the fixes that might be brought about. Change the culture. When I went into the Foreign Service, the culture was strictly oriented

toward government-to-government relations. You got ahead by writing brilliant dispatches. I remember working for somebody who never went anywhere but the foreign office. He never interacted with the society at large. Today's ambassador, today's foreign service officer, has to be somebody that can interact with the society at large, who can deal with public diplomacy, nongovernmental agencies, and a whole host of issues in the public domain. He or she also has to be somebody who can relate to the American public and the American Congress. Cultural change will take some time, but the process needs to be accelerated.

Infrastructure you have already discussed: Improve telecommunications, improve facilities. I think the Kaden Commission recommendation on an overseas building facility is a very constructive way to go.

Finally, upgrade congressional relations. Congressional relations has long been a backwater in the State Department. The best people just don't go there. We need to create incentives to put the best people there. We have made a suggestion on a previous blue ribbon panel that the State Department open an office on the Hill, and I think Colin is already in a dialogue on that subject. The Office of Congressional Relations ought to be a facilitator of information flow, not a funnel through which information flows. This is a very important undertaking.

We have conveyed our views to the Secretary of State. Significantly, we were the first group, Mr. Kaden was with me, that he met after being confirmed. He affirmed his intention to manage the State Department, and he has an extensive background in management. This is not to say he agrees with every comma in our report, but he indicated he agrees with the general thrust and he intends to move ahead on reform. He has certainly made all the right moves so far. I am sure you are hearing the same thing I am hearing out of the State Department. He has been very well accepted by the employees there. And if anybody can do the job, he can and I

- Many Department of State facilities at home and overseas are shabby and insecure. They frequently do not meet Occupational Safety and Health Administration (OSHA) standards. Nearly 25 percent of all posts are seriously overcrowded. Moreover, 88 percent of all embassies do not fulfill established security standards, and many require major security upgrades.
- Ambassadors deployed overseas lack the authority necessary to coordinate and oversee the resources and personnel deployed to their missions by other agencies and departments.
- Policymaking and budget management within the Department are bifurcated.
- The Department's professional culture remains predisposed against public outreach and engagement, thus undercutting its effectiveness at public diplomacy, an increasingly important priority of foreign policy.

This condition—I am tempted to say “state of affairs”—is not only a disservice to the high-caliber men and women of the Foreign Service and Civil Service who serve their country under the Department of State. It also handicaps the ability of United States to shape and respond to the opportunities and growing challenges of the 21st century. If this deterioration continues, our ability to use statecraft to avoid, manage, and resolve crises and to deter aggression will decline, increasing the likelihood that America will have to use military force to protect our interests abroad.

In short, reversing this decline must be a top national security priority.

Before I address the key elements of the reform action plan articulated by our report, allow me to underscore three key aspects of our Task Force.

First, this initiative was sponsored jointly by the Council on Foreign Relations (CFR) and the Center for Strategic and International Studies (CSIS). I am particularly grateful to Les Gelb and Paula Dobriansky of the CFR and CSIS' John Hamre. They not only provided us with much needed organizational support, they are the ones who generated this Task Force and asked me to serve as its chairman. They also brought to our effort their considerable experience and insight into the making of U.S. national security policy.

Second, the mandate of the Task Force was clear from the outset. There have been a plentitude of blue ribbon panels and commissions that have examined the institutional problems besetting the Department of State. Our intent was not to reinvent the findings and recommendations of these outstanding studies, but to synthesize them into an action plan of concrete steps. Our hope is that this report will assist the new administration jump start the revitalization of the State Department and, thus, of its role in U.S. national security policy.

Third, if the Task Force fulfilled its mandate, it was in no small part due to its composition. Our group is bipartisan in character. Its members include those who served at the highest levels in both Democratic and Republican Administrations and on both sides of the aisle in Congress. And, our Task Force includes those who served on more than several of the important blue ribbon commissions whose conclusions were the starting point for our endeavor.

Mr. Chairman, past efforts to repair the machinery of American foreign policy included initiatives by previous secretaries of state, numerous high-level task forces, and legislation passed by Congress. However, they have been often received by the State Department and other agencies with grudging enthusiasm at best. More often than not, such initiatives encountered strong bureaucratic resistance.

As a result, reform efforts have amounted to a series of half-hearted, selective, and ultimately insufficient half-steps. The deterioration of America's foreign policy apparatus continues on a downward spiral that must be reversed. Indeed, Congress has, with justification, become skeptical of appropriating resources for the Department of State, which has been burdened with an image of being fundamentally flawed and wasteful, if not irreparable. However, without resources, reversing the decline of the nation's foreign policy machinery becomes increasingly unattainable.

How to break this downward spiral was the key question on the minds of the members of my Task Force, and our answer, the Task Force report, is presented in the form of two memoranda, one to the President and one to the Secretary of State. Since effective reform will require the partnership of both sides of Pennsylvania avenue, I am confident that the elements of these memoranda are equally relevant to this committee and its responsibilities over America's foreign policy.

The heart of our report is a “resources-for-reform” action plan. The action plan recognizes that while resources will be necessary for reform, reform will be necessary to obtain those resources from Congress. The Task Force report asserts that if Congress is convinced that fundamental reform is underway, it will provide the resources required to modernize and revitalize the foreign policy apparatus.

Mr. Chairman, it is my hope that you will agree with that assertion.

The core components of the “resources-for-reform” action plan are: (1) the establishment of a strong Presidential mandate for reform; (2) a clear tasking of responsibilities and authorities among the principal national security departments; and (3) concrete steps that can be initiated immediately to renew the Department of State. Allow me to review each of these elements briefly.

PRESIDENTIAL MANDATE

First, establishing a Presidential mandate for reform. The Task Force firmly believes that attention and commitment from not only the Secretary of State, but also personally from the President himself, is the imperative impulse for State Department renewal.

The requisite presidential mandate for reform will require the following:

First, a presidential directive (or directives) should be promulgated that declares reform of the Department of State to be a national security priority. It should articulate a comprehensive plan to reform the Department and its role in national security affairs. (In a moment, I will explain in a bit more detail what should be the content of this directive.)

Second, the President should also use his “bully pulpit” to publically reinforce the reform mandate. Toward this end, the Task Force urges that renewing the Department of State should be one of the themes of his first address to the nation.

Third, the President should personally engage Congress to foster a partnership in this reform. He should personally meet with the Congressional committees that have jurisdiction over the State Department in order to explain to them the “resources for reform” action plan.

Presidential directives, use of the President’s first national address, and a partnership with Congress would provide much needed political and bureaucratic leverage for the Secretary of State and his efforts to drive the reform effort to a successful completion.

CLARIFYING INTERAGENCY RELATIONSHIPS & RESPONSIBILITIES

The second element of the Task Force’s action plan is the establishment of a sound organizational structure for the coordination of government agencies and departments responsible for national security policy. Toward this end, the Task Force calls for Presidential guidance that:

- reasserts the Secretary of State’s role as the President’s principal advisor and spokesman on foreign affairs and the leading role of the Department of State in the implementation of U.S. foreign policy;
- strengthens the coordinating authorities that ambassadors exercise over officials from other departments and agencies serving at their embassies;
- and, initiates the annual presentation of an integrated national security budget. (This document should define and explain the linkages and trade-offs between the different instruments of diplomacy, intelligence, defense, and international economics and the budgetary decisions upon which national security policy ultimately rests.)

REFORMING THE DEPARTMENT OF STATE

The third element of the Task Force’s action plan are concrete reforms to overcome the Department’s institutional disarray and dilapidated infrastructure. I will review them briefly:

First, a key priority must be the re-centralization of the Department’s budget and management authorities and their reintegration with the Department’s policy-making process. The Secretary should conduct himself as State’s Chief Executive Officer. He should empower his Deputy Secretary to act as the Department’s Chief Operating Officer with line authority over its finances, administration, and human resources.

In other words, the Deputy Secretary should return to his original role as the Department’s top manager.

Second, there is no greater imperative for the Department of State than correcting its dysfunctional human resources practices. As I mentioned earlier, they have generated a serious morale crisis. The Task Force endorsed the recommendations of the Overseas Presence Advisory Panel which called for improvements in the selection and recruitment of personnel, expanded professional development opportunities with an emphasis on leadership training, and enhancing the quality of life the Department provides its employees and their families.

Third, among the most challenging priorities identified in our report is the need to transform the State Department’s culture into one that emphasizes and embraces

public outreach and engagement as a core function of diplomacy and statecraft. Today, the department's professional culture remains predisposed to "information policing" rather than "information providing." In the information age—an age of increasingly open societies—effective diplomacy requires not only explaining America's positions and views to foreign governments, but also to their citizens.

Fourth, it is common knowledge that State Department facilities, both at home and overseas, are dilapidated and insecure. Fixing these problems, including a much needed modernization of State's communications and information equipment, will not only require additional resources, but also significant reform of how the U.S. Government manages the buildings and infrastructure supporting its foreign policy operations.

For example, the highly inefficient Office of Foreign Buildings Operations should be eliminated. Its functions should be transferred to an "Overseas Facilities Authority" established as a federally chartered government operation. The Department of State needs to get out of the business of building and renting office space. And, OFA provides an effective means to inject a high degree of privatization and professionalization into the management U.S. overseas infrastructure.

Finally, the Secretary of State needs to engage Congress more rationally and with greater energy. Our Task Force suggests steps to upgrade the Department's legislative affairs bureau. It also urges the Secretary to commit himself to meet informally on a monthly basis with the Chairmen of Congressional Committees with jurisdiction over foreign policy and to instruct his subordinates down to the Deputy Assistant Secretary level to do the same with relevant Sub-Committee Chairmen, key legislators, and Congressional staff.

These are not all the specific recommendations presented in the Task Force report, but I hope they convey the Task Force's focus on concrete recommendations that are immediately actionable.

The Task Force believes that the determined execution of the "resources for reform" action plan will immediately boost State Department morale, revitalize the Department's central role in the making and implementation of national security policy, and provide a sound foundation for a genuine partnership with Congress in this reform endeavor.

Mr. Chairman, the recent change in administrations here in Washington provides an ideal time jump start the process of State Department reform. The new President and his Secretary of State have a clean slate that can be used to effectively force the implementation of difficult decisions and departures from long-standing practices. And, we have in Colin Powell a Secretary of State determined to renew his department.

On the Monday following President Bush's inauguration, I visited Colin Powell and formally presented to him our Task Force report. I emphasize the word formally because I know that he personally kept abreast of the Task Force's deliberations and the evolution of this document. In our meeting, Secretary Powell expressed appreciation for the Task Force's focus on actions that could be implemented with dispatch, because, as he said repeatedly during our meeting, that is exactly how he intends to act.

Mr. Chairman, I urge you and your colleagues on this Committee to give him your full support. Thank you.

Chairman HYDE. Mr. Kaden.

STATEMENT OF LEWIS B. KADEN, CHAIRMAN, OVERSEAS PRESENCE ADVISORY PANEL; PARTNER, DAVIS POLK AND WARDWELL

Mr. KADEN. Thank you, Mr. Chairman. I am very appreciative of the opportunity to return to this Committee. I think the fact that you have set this hearing as your first order of business in the new term is enormously encouraging to those of us who have worked on this reform agenda. It was just a year ago that our Overseas Presence Report was delivered to President Clinton and Secretary Albright, and Mr. Gilman promptly called a hearing to discuss the reforms that were proposed in that report. His encouragement and that of Congressman Rogers and Congressman Bereuter and others

was extremely important to the initial steps taken to implement this reform agenda last year.

But a great deal remains to be done. So I was pleased to be asked to serve on the task force with Frank Carlucci and to endorse its recommendations as well. I have learned a Washington lesson in the last 3 weeks. If you have a reform proposal for the new Administration, you should call it the "Carlucci Plan," and it will get prompt attention.

As your initial comments indicated, Mr. Chairman, the reason these reforms are so important is not because we have an abstract interest in better management, although we do. It is because our Nation cannot achieve its foreign policy objectives or its national security aims unless the foundation for those foreign policy activities is sound. Right now, that foundation is badly broken. We know that; we don't need another study to tell us that. So we need to give our representatives, both in Washington and overseas, the skills, the tools, the facilities, the technology they need to do the job. That ought to make it a simple matter. The importance is there. What is required is the leadership and the political will.

I am going to address in a few minutes a few of the specifics that were important in our report and are in Frank Carlucci's task force report as well. But I think the overarching theme that I would like to leave with you is that implementation of this reform agenda has to be a joint effort between the Congress and the Administration. It requires the congressional oversight and the leadership that Mr. Gilman and Mr. Rogers provided last year and that I know you and Mr. Lantos and others will carry forward with your colleagues this year. It requires the Secretary of State's leadership, and it was extremely encouraging to me that Secretary Powell not only met with us on his first day in his new quarters, but showed in that meeting that he had absorbed and digested both the overseas presence report and the Carlucci task force. We didn't have to brief him on these issues. We had a good interchange because he had already immersed himself in them. I think that is quite encouraging.

But we all know as well that there will be bureaucratic resistance, just as there was last year; there will be voices arguing for a slower pace to reform, or to set this proposal aside or that proposal, and it will require Secretary Powell and his new team's standing and leadership and energy to push this forward.

In addition, it requires the energy and leadership from the White House and the President, because as you will see in a minute, if you think about any of these particular reforms—and I am going to talk about technology, right-sizing and the overseas facilities—any of them require the cooperation not just of the State Department, but of all of the agencies who play a critical role in our foreign policy activities, and in our diplomatic missions. You can't get that cooperation just by saying it, you can't even get it by having the standing and ability and respect that Secretary Powell does. It requires the President's support behind these reforms to make them happen, and I think that is an important part of all of these studies and all of these reports.

With that backtrack, let me just mention quickly three of the important reforms. The first is modernizing the technology system. It is certainly past time to argue about the need for that. We all know

it. There isn't a major private sector organization active around the world or another one of the major governments whom we surveyed that does not have a means for its representatives, regardless of what agency they represent, to communicate with each other and with those they serve back at home, except our own government. Our representatives don't have that capacity.

It is simple. We suggested that you start out with the unclassified environment, where the complexities are easier to overcome, and you provide in real-time at reasonable cost the ability through an Internet-based system to communicate with those you serve and with those with whom you are working. It ought to be simple to accomplish. It is certainly not too expensive, as Congressman Rogers knows. But again, it requires the political will to bring all of the agencies together and make clear that they cannot come before the Congress with their own proposals for self-contained technology and communications systems; there has to be one system linking up our representatives around the world so that if representatives of the Commerce and Treasury Department is working on a problem in Bangkok or Beijing with representatives of the Foreign Service, they have the ability to communicate across the hall as well as back to Washington, or with other capitols around the world, just as any other government or private sector organization active around the world does.

Second is right-sizing. Your invitation to me, this morning, Mr. Chairman, specifically asked me to address this. We need to engage in an interagency process for right-sizing our personnel in all posts around the world, as Congressman Rogers emphasized, not just because there are potential savings there, and there are, but because we need to match the skills with the mission priorities. We need to have the right people with the right skills in the right place to meet the challenges of today, as opposed to the assignments of 20 or 30 years ago.

President Clinton did ask Secretary Albright to initiate a Cabinet committee process on right-sizing and they started out looking at France and Mexico. In France, as you know from our discussions last year, there are more than 1,000 people. That is probably too many for France, given today's communications technology and today's foreign policy issues. There are other places in the world where we may be understaffed, or at least not have the right match of skills and challenges. But in France, there are 120 people who work on payroll processing. Those functions could be more efficiently done back in the United States at centers such as the one that exists in Charleston.

There are many more people performing functions that could probably be done in regional centers or back in the United States. We would do better with smaller, leaner, better-equipped, better trained, better facilities staffing in many posts around the world, and we would then have those resources to apply both to the enhancements of technology and facilities that we need, and also to putting more people with the right skills in those places around the world where there are new challenges and more staffing is required. But that right-sizing effort is hard work. You have to get down to the details of how many people, what kind of people in each post.

You ought to start out with some of the big targets like Paris and London where each of the former ambassadors, Admiral Crowe, Ambassador Rohatyn emphasized that there were too many people and a right-sizing effort could bring the size down, make it leaner and more efficient.

Then you will find places in Asia, perhaps in Latin America, where more skills, more resources are needed, because the number of challenges is multiplying so fast. We think that is an extremely important effort. Only the President can establish an interagency process that makes it work. He can give the leadership to the Secretary of State and probably he should, but he has to ensure that the other agencies, including the law enforcement agencies, the intelligence services, the Pentagon, who are major users of this platform, participate in that right-sizing effort along with the ambassadors.

Third, the physical infrastructure. As Congressman Rogers and Secretary Carlucci said, the State Department is not very good at the job of building and maintaining buildings. It is not their strong suit. The private sector in this country is the best in the world at doing that. We ought to create a public-private partnership through the overseas facilities authority that we proposed in the OPAP report and the Carlucci Report. That would have more flexible financing tools, better skills set, the ability to move faster in meeting the demands for better facilities, both for living and working for our representatives overseas. The governance of that facility can include all of the major agencies who are the users of the platform, including the Justice Department, the fastest growing representative of our overseas presence, the Defense Department, the intelligence services, Commerce and the rest.

Those are just three. I would say that with respect to human resources reform where there is a great need to modernize personnel practices and have family-sensitive and quality-of-life-sensitive procedures that meet the temper of the times, that allow our most talented people in the diplomatic service to be recognized, to be promoted, to have their skills used effectively, again the way best practices in other parts of the government and the private sector work. In that area, the director general of the Foreign Service, Mark Grossman, in the last part of 2000 made significant improvements and hopefully the new Administration will build on them, expand them, and move that process forward.

It is my pleasure, Mr. Chairman, to be back with you, and I hope we can look back a year from now and say 2001 was the time, with your leadership and that of Congressman Rogers and your colleagues in the Senate, that we really saw this reform agenda take hold.

[The prepared statement of Mr. Kaden follows:]

PREPARED STATEMENT OF LEWIS B. KADEN, ESQUIRE, CHAIRMAN, OVERSEAS PRESENCE ADVISORY PANEL; PARTNER, DAVIS POLK AND WARDWELL

Good afternoon, Mr. Chairman and Members of the Committee. I appreciate the opportunity to appear before you to discuss the Report of the Overseas Presence Advisory Panel and the Task Force Report on State Department Reform.

Mr. Chairman, the Overseas Presence Advisory Panel was created in February 1999 and charged with reviewing the U.S. Government's overseas presence and making recommendations about ways to improve the organization, management, staffing, equipment, facilities and security for the men and women representing our

nation's interests in overseas posts. Our Panel had 25 members, including present and former Ambassadors, former Members of Congress, Representatives from State, Defense, AID, CIA and Justice, and leaders of business, non-governmental organizations, labor and academia.

I was also honored to participate over the last three months as a member of the Independent Task Force on State Department Reform sponsored by the Council on Foreign Relations and the Center for Strategic and International Studies, and to support its report. The Task Force Chairman, Frank Carlucci, and the project coordinator, Ian Brzezinski did an outstanding job in leading a bi-partisan group to consensus on reforms of the U.S. foreign policy machinery which are in harmony in many respects with the OPAP recommendations. It is my pleasure to appear here today with former Secretary Carlucci to discuss this important agenda of reforms and resources.

In the course of OPAP's work, Panel members visited 23 embassies and consulates, including small, medium and large posts. We talked to hundreds of people overseas and here in Washington. We consulted closely with many of your colleagues in the Congress and with numerous former senior government officials. To learn from others' efforts, we reviewed previous studies, articles, speeches and books. We also examined the best practices of multinational corporations with activities around the world and other governments with extensive overseas presence.

Our principal conclusion is best stated in the report: "The U.S. overseas presence, which has provided the essential underpinnings of U.S. foreign policy for many decades, is near a state of crisis. Insecure and often decrepit facilities, obsolete information technology, outmoded administrative and human resources practices, poor allocation of resources, and competition from the private sector for talented staff threaten to cripple our nation's overseas capability with far reaching consequences for national security and prosperity. . . . The condition of U.S. posts and missions abroad is unacceptable. . . . The Panel fears that our overseas presence is perilously close to the point of system failure."

We went on to say that such failure could have serious consequences for our national interest: less effective representation and advocacy of U.S. interests abroad; a loss of U.S. exports, investment and jobs; inadequate political and economic analysis, leading to unexpected crises; less effectiveness in promoting democracy and the rule of law; and a weakening of the fight against international terrorism and crime. U.S. citizens traveling abroad would not get the assistance they need and deserve. Our nation would be less able to forge global alliances to respond to regional conflicts or to solve global environmental, health and social problems.

To address these deficiencies, the report describes the components of a new design for our nation's overseas presence for the twenty-first century. We emphasize reforms to improve security; create the right size for overseas presence in order to achieve both greater effectiveness and efficiency; create a new entity better able to manage the financing, develop and maintenance of our overseas facilities; modernize human resources management by adapting the private sector practices to the demands of government service overseas; and immediately upgrade information and communications technology so that our representatives are properly equipped to communicate with each other and with colleagues in Washington.

I would like to emphasize, Mr. Chairman, that the challenge of improving our overseas presence is an area where ongoing Congressional involvement and leadership is crucial. The Panel recommended that the President and Congress join together in an effort to modernize our overseas presence so that Americans serving abroad have the measure of protection, training technology, support and facilities they need to do their job.

These recommendations are described in detail in the report and I will not repeat them here. Since the report of the Overseas Presence Advisory Panel was released in November 1999, some initial steps have been taken to implement the recommendations. Hearings have been held in both the Senate and the House, and this hearing today is an extremely important part of the process of implementation and follow-through. Many Members of Congress have expressed interest in the report and support for the principal recommendations on security, technology, right-sizing, human resources and overseas facilities.

In the executive branch, President Clinton issued a statement on February 10, 2000 in which he stated: "The Panel has made an important contribution to our nation's security and the conduct of international affairs. My budget proposals reflect and fully support their recommendation that a greater commitment is needed in this critical area. I also agree with their recommendation for review and improvement in the way we manage our overseas presence." The President requested additional funds for capital improvements to enhance security and some modest initial funding in the nature of a down payment for a common technology platform. During

the last months of 2000, the Director General of the Foreign Service, Marc Grossman, embraced the OPAP recommendations on human resources, personnel practices and quality of life, and took initial steps to implement them.

In February 2000, President Clinton also directed Secretary of State Madeleine Albright to lead a Cabinet committee on right-sizing the staff in embassies and other posts and to match staffing with mission priorities. The committee's initial projects include assessment of staffing and skill requirements for several posts including France and Mexico. But the right-sizing initiative last year did not produce real results, in part because it was not clear to all agencies whether the President was behind the effort to "right-size" and whether either the Committee or the Ambassadors had the authority to resolve the staffing issues effectively. The right-sizing process, if pursued aggressively across all agencies, with the support and assistance of the President and the Congress, can produce both significant savings and more effective representation, and it can help build support for the investments in security, technology and training that are needed to modernize the U.S. overseas presence. The OPAP recommendations on technology and on security also require the cooperation of all agencies, the leadership of the Secretary of State and the joint efforts of the President and the Congress to accomplish the goals of modernizing, making more effective and more efficient the foreign policy apparatus of the U.S. government.

One of OPAP's and the Task Force's most important recommendations is the call for legislative action to create a new government-chartered corporation, the Overseas Facilities Authority, to take over responsibility for planning, construction and management of chanceries, office buildings and residential facilities used by United States personnel around the world. The Panel found an urgent need to improve the speed, quality and efficiency with which our government builds, maintains and secures overseas facilities. The proposed OFA would have more flexible financing tools and would be charged with making more effective use of private sector expertise in development construction and building management, an area in which the United States private sector leads the world. The OFA proposal also addressed the objective of providing more opportunity for input by the federal departments who use overseas facilities and at the same time installing a fair system for allocating capital and operating costs among these agencies. This proposal has attracted considerable interest. We hope President Bush and Secretary Powell will embrace the OFA initiative and work with Congress on its enactment. Our nation needs to move quickly to enhance both the security and the quality of overseas facilities. I also believe the Congress is more likely to support needed resources if it is convinced that the funds are used effectively, and that the outmoded practices set forth in our report have been reformed to position the overseas platform for the challenges of the twenty-first century.

In general, our Panel has been encouraged by the positive response to our report from Members of Congress, executive branch officials, business, labor and civic groups, all of whom have a stake in more effective performance by our overseas representatives. I am especially encouraged by Secretary Powell's statements concerning the importance of these reforms. He met with Secretary Carlucci and me on the Monday after President Bush's inauguration, and we had an excellent discussion of these reforms and the importance of them to the U.S. capacity to achieve its foreign policy and national security objectives. It was in fact, I believe, his first meeting in his new office as Secretary, and both that fact and his evident interest and knowledge about these issues was very encouraging to me. But it is still too early to measure the follow through and pace of implementation. In this regard, both Presidential leadership and Congressional involvement and oversight is critical. Modernization of an outdated organization with physical facilities, security, technology and management practices in such a state of disrepair is not a task which can be fully achieved overnight. But the OPAP and Task Force Reports chart a critical path to the reforms and resources needed to enable our overseas representatives to meet the array of challenges facing them. We hope President Bush, Secretary Powell and the entire Bush administration work with you and your colleagues to implement these crucial reforms in the way we manage our overseas presence so that the men and women who serve our nation overseas have the skills, the tools, the training, the facilities and the security they need and deserve.

Chairman HYDE. Thank you very much, Mr. Kaden. We will now revert to questions, and I would entreat the Members to try and hold their questioning to 5 minutes.

Mr. Lantos.

Mr. LANTOS. Thank you very much, Mr. Chairman. Let me first thank all three of our very distinguished witnesses for singularly helpful testimony. Your public service is on the record and you should be immensely proud, and we are grateful to you.

I would like to raise a number of issues, sort of tick them off, and feel free to address any or all of them. I have watched our Foreign Service abroad for many decades, first as a young professor of international economics who traveled all over the world, and then as one who set up a study abroad program for the State universities in California and spent 4 or 5, 6 months abroad every year for 10 years, and for the last 21 years as a Member of this body. I don't think there is any dispute with respect to either the technology issues you emphasize or the security issues you emphasize.

Yesterday the Chairman and I told the new Secretary of State we are ready to support him 100 percent on all of these requests. Colin Powell is a man of great intelligence and great integrity and great competence, and whatever recommendations he will come with in terms of communications worthy of the 21st century or embassy security, think there will be broad bipartisan support for this. While these are very important items, I think it is important for us to emphasize, we intend to work hand-in-glove with the Administration and Colin Powell on achieving those objectives. It is inexcusable to have less than perfect security and less than the most up-to-date technology at any of our facilities.

The other issues are more complex, and I would like to deal with the other issues. I am not sure that right-sizing has only one dimension. I fully agree with both of your comments about right-sizing, but I would like to raise an issue which is perhaps a corollary issue. There are a number of countries where—and I take the former Yugoslavia as perhaps the perfect example—where it should have been obvious to the State Department that we should have established many years ago a facility in Pristina, Kosovo. Despite my pleas and those of other Members of this body, the statement basically was that everybody has to be in Belgrade because that is where the capital is, and to disperse even a one-person office to Pristina would have been a mistake.

Now, I simply cannot emphasize how important it is in many of these ethnically complex countries like the former Yugoslavia, like Romania, like Ukraine, to have the American flag and the minimal American office with a library, a Foreign Service officer, whether he is a specialist in public information or in another area, a place where American university professors can come and lecture, others can come, we can have a jazz concert or what have you, because this gives an ethnic enclave a feeling of importance and connectedness to the United States and maybe to their ethnic colleagues. I found, for instance, that my efforts with respect to Romania in establishing a one-person facility in the Hungarian-populated parts of Transylvania was very successful, and I think the failure in Kosovo to establish a one-person facility, I think we paid a heavy price for that.

Certainly, when you deal with countries as diverse as Ukraine and France, one would have to argue that there is a far greater need in Ukraine for an American presence in many parts of that huge country, than there is to have a vast embassy in Paris. My

feeling was and my feeling is that this Committee will want to spend a lot of time on this issue, because while I personally believe significant additional resources are needed, a reallocation of resources between the capital and the outlying regions, depending on the nature of the country, is an extremely effective way of putting the resources where they belong.

Secondly, I would be grateful for any of the three of you to comment on the growing dilemma we have with the dual-career family. One of you mentioned family sensitivity, and I think that is a very important issue. With women occupying a growing proportion of jobs in the Foreign Service, which I am delighted with and welcome, we increasingly are facing the difficulty of a husband and wife diplomatic team not being able to be placed in the same city, and we have had a number of instances where families were separated because the same location was not flexible enough or could not accommodate both the husband and the wife at a certain level of the diplomatic hierarchy. And I think this needs to receive significant attention.

I would like to say a word about political appointees. There is nothing the President could do to establish the fact that this will be a new era than by putting an end to political appointees who are campaign contributors. I am a great fan of political appointees. Admiral Crowe in London, Tom Foley in Tokyo, Senator Mansfield before him, Pete Peterson in Vietnam are superb ambassadors. But I think we have to draw a very sharp line of demarcation between a person like Pete Peterson who is the ideal person to be our ambassador in Vietnam, and is a political appointee, and campaign contributors who get their positions because they have made huge contributions to the Republican Party or to the Democratic Party.

I would be very grateful if you would be willing to comment on this, because I think that the historic differentiation between career appointees and political appointees was wrong. That is not the differentiation. The differentiation is between diplomatic appointees, State Department appointees, and competent political appointees who are appointed because of their qualifications, as our former colleague Pete Peterson was appointed to Vietnam, and people who go there because they were benefactors of one of our two major political parties.

Let me stop here, Mr. Chairman, turn it over to my guests.

Chairman HYDE. I will certainly let you stop.

Mr. KADEN. Let me quickly address those points, because I think I very much agree with the thrust of the points you made.

First, with respect to your comments about Kosovo, one of the I think most significant innovations over the last couple of years was Ambassador Rohatyn's effort to establish small presence posts in France, and he did that with great support from the Congress. In France, the thrust initially was in centers of France where the U.S. economic interests were considerable outside of Paris, where there was a point in having an economic officer promoting U.S. investment, dealing with trade, carrying the flag in the sense that you describe. I think that small presence post which our report endorsed was an important innovation and it has many applications around the world in areas where the significant activity can be other than economic, can be public diplomacy or public information,

or political relationships. So I would hope that the new Administration and the Congress carries that forward.

Second, with respect to dual-career families which again was an issue that we spent a lot of time talking to people about around the world and addressed in our report, I mentioned that Mark Grossman, the director general, had made some progress on this, and one of his innovations was to propose—I don't think they have it up and running yet, but he made a commitment a couple of months ago to a—I think he calls it an Internet-based spouse skills bank so that there would be in effect a counseling service based on the Internet available all around the world, so that if your spouse goes with you to a posting abroad, there would be a support system to see how his or her skills can be used effectively, either within the government service or in the community in the host country.

One of the bigger challenges is how you deal with dual-career families where both are in the government service, are in the Foreign Service, and that requires a case-by-case application with some common sense and sensitivity so that families can both stay together and have their skills effectively used in overseas posts in ways that do not disrupt their career path, their opportunities for advancement.

Finally, with respect to political appointees, I couldn't agree with you more, that the issue is competence. I don't think someone should be disqualified, I think Ambassador Rohatyn was one of our most effective ambassadors and, I don't know, but it wouldn't surprise me if he made a contribution of some kind to President Clinton or to the Democratic Party. But, I think competence is the key. These challenges abroad are too serious to be left to those without the qualities to serve, and I think as you indicated, we have great examples in the political appointment service about standing ambassadors.

You mentioned Ambassador Peterson. My list, as I have talked about this issue, includes Ambassador Celeste and former Governor Celeste in India, Ambassador Rohatyn, Admiral Prueher who now serves us in Beijing, all of whom were in that sense political appointees, but they were highly skilled, they brought to the assignment a great deal of competence and background and I think that ought to be the test and hopefully that will be the test.

Chairman HYDE. The Chair is going to interrupt so we can let some more Members ask a few questions.

Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman.

Again, I want to commend our three panelists for being with us today, and the excellent report you have issued. Now it is going to be up to the Congress to help you implement that, and I look forward to working with you. I am sure our Committee and I am sure our Chairman are going to exercise a great deal of oversight with regard to this.

Let me just comment briefly on a couple of things. As I examine the report, I keep looking at the information technology that is so sorely needed, and I hope that we can convince the Administration, the Secretary of State, to update that technology. As we wander around the world and visit these posts, we find that the capability that they have to modernize their system is lacking, and it is a

major detriment to their ability to perform efficiently. I hope that we can convince the Administration how important that is.

I am very much impressed by Mr. Kaden's suggestion that we have a separate authority for handling facilities and construction and modernization of facilities. I think the way it is being handled now is obsolete, and it is about time that we had some privatization to handle these facilities. We had one ambassador after another complain about the lack of proper facilities and how long it takes to convince the State Department to do something adequately in those areas. So I would welcome any recommendations you might have on how we can implement that kind of an authority at an early date. I think that is a very important facility.

I saw the article this morning by Brian Atwood on "Helms Idea Could Hobble Bush" as he talks about the possibility of eliminating the AID office. I call your attention to the fact that back in the 101st Congress in February 1989, Congressman Hamilton, who was then the Ranking Member, and myself did a task force on foreign assistance report. I don't know, Mr. Carlucci, whether your task force examined that, but we made some important recommendations. One of them had to do with bringing AID back within the State Department rather than as an independent agency. We found that there was little coordination of economic growth, security and development policies at that time and we made some major recommendations. Has your task force examined the Hamilton-Gilman report at all?

Mr. CARLUCCI. Former Congressman Hamilton was on our task force.

Mr. GILMAN. Well, then I am sure that he made known—did he assert himself?

Mr. CARLUCCI. We did not get into organizational issues, Mr. Gilman, and I will address that when you have finished.

Mr. GILMAN. Well, go ahead and comment.

Mr. CARLUCCI. I have rather strong feelings that an organizational structure needs to be flexible. We have a very competent Secretary of State and, assuming he is going to be confirmed, we are going to have a very competent Deputy Secretary of State. They know how to organize matters.

I think Secretary Powell's view, at least as he has expressed it to me, is he wants to go very carefully on moving boxes around. It has been my experience that when you move boxes, you spend a year sorting things out and you use up a lot of energy that could be used constructively otherwise. So I think the quick solution—let's make organizational change—oftentimes turns into a nightmare. We need to go cautiously.

Rich Armitage worked with AID extensively. He helped develop the program for some of the former Soviet republics, so he understands AID. They will move to bring AID under their control in ways that they best see fit.

Mr. GILMAN. I am pleased that you emphasized the Rohatyn plan for regional posts. I discussed that with Ambassador Rohatyn on a number of occasions. It has worked out quite well in France, and I think we certainly ought to promote that to a greater extent among the other agencies as a resource for reform. It has worked well in some other areas where we tried to get the U.N. to reform

and held out some of the funding until the reforms came about. Again, I urge all of us to pursue that kind of a leverage with regard to the United Nations.

You mentioned, too, the information problems, a poor role adopted by the Secretary of State in the past, censoring information rather than providing information, and I hope we will do a better job there. But let me ask you again to give me your comments on the need to clarify the role of the National Security Adviser with the role of the State Department. I note in your report you assert for the National Security Adviser a coordinative role in policy development and oversight. You are saying, however, the National Security Adviser and their staff should not adopt any operational roles. I know in the past we have had conflicts between NSC and the State Department. Could you comment on that?

Mr. CARLUCCI. Yes. As you may know or may recall, Mr. Gilman, I was brought in as Ronald Reagan's National Security Adviser in the wake of the Iran contra dispute.

Mr. GILMAN. I remember that clearly.

Mr. CARLUCCI. One of the big problems was that the NSC was in an operational role. Oliver North was running all over the place as an operator. We had the Scowcroft Commission; John Tower sat on it. We developed a policy whereby the National Security Council would be the coordinating and evaluating body, the staff arm of the President, and oversee the overall implementation of policy. But the State Department would be the President's principal policy formulator, principal policy spokesman, principal policy adviser, and principal foreign policy implementor. We have picked that up in our report.

I think a Presidential directive is in order because the NSC has tended to drift back into operational issues again. It is a little bit like the donkey—you have to slap it every now and then. I think a Presidential directive clarifying the respective roles of the Secretary of State and National Security Adviser would be appropriate.

Mr. GILMAN. Well, I am pleased that you noted that. I think it is particularly important that this Committee do oversight in that direction, and we thank you again for your efforts in bringing this report to the Congress, to the President, and to the Secretary of State. I hope you will keep us advised of how best we can help you implement your report. Thank you.

Mr. LEACH. [Presiding.] Mr. Faleomaevaga.

Mr. FALEOMAEVAGA. Thank you, Mr. Chairman.

I too would like to echo the sentiments expressed earlier by our senior Democratic leader, the gentleman from California, Mr. Lantos, to compliment and commend you two gentlemen and Chairman Rogers for your testimony on this issue. There is no question there has been a lot of media coverage about the Carlucci Report, and I do commend Mr. Carlucci for this outstanding presentation.

I do have a couple of questions. I happen to agree with, if not all of the sentiments expressed by Chairman Rogers earlier—but Mr. Carlucci, you indicated you did not agree with some of his positions and I would appreciate it if you could elaborate on that. What are some of the issues that you did not agree with? Because the sense I got from Mr. Rogers is not so much the money, but the will

of the State Department to reform, unless you find you had read his statement or heard what he had stated earlier. But I would appreciate it if you could comment on where you exactly disagree with Mr. Rogers' statement.

Mr. CARLUCCI. Mr. Rogers identified the principal place of disagreement, which is on the dual-deputy system. As a matter of practice, I just have not found dual-deputy systems workable. So I am averse to them, and I know that Secretary Powell has never worked with a dual-deputy system. I think his inclination would be to dual-hat Rich Armitage, but I really can't speak for him.

Mr. FALEOMAEVAGA. I happen to agree with you, because we happen to have a deputy secretary of management at the Interior Department and we still can't find the \$2.2 billion that are supposed to be saved in trust for the Native American Indians. We have expended over \$20 million even to audit this crisis—this disaster at the Interior Department. And yet we do have secretaries or deputies, if you will, that are supposed to provide the kind of management that we are looking for in the State Department.

I would like to ask a question concerning a proposal by Chairman Helms in the Senate Foreign Relations Committee that he wants to get rid of AID and suggested all our foreign assistance programs ought to be administered by the NGOs or charity organizations. Are you in agreement with that idea, Mr. Carlucci?

Mr. CARLUCCI. I haven't had a chance to study that, so I don't think it would be appropriate to react. I think AID clearly needs some dramatic action. AID is one of the more encrusted bureaucratic organizations in our government. But once again, I would trust Secretary Powell to exercise his judgment on that score. I would await his recommendations on what to do with AID. I know he has a bias against just jumping in and moving boxes around because of all of the disruption and energy that that entails. When you want to move a box, you better be sure that the benefits are going to be worth the costs.

Mr. FALEOMAEVAGA. In the 12 years that I have been here now as a Member of this Committee, Mr. Powell is the fourth Secretary of State who I have had the experience and the opportunity to encounter. We had Secretary Baker, we had Secretary Christopher, we had Secretary Albright, and now Mr. Powell. If there is one issue that perhaps is not addressed in the report is the question of personalities that come with the leadership in the State Department. As you know, each Secretary of State, with their own personality, have had different styles of management. Secretary Baker, I think, only had four or five people around him to declare all of the U.S. foreign policies. For years this was done.

Now the question is how is Mr. Powell going to handle this. My concern is are we really serious about reform? Because this is not a new issue. In fact, we waited for this report of reformation or reorganization of the State Department for 6 years and still have not seen a report. But I sincerely hope that maybe the task force report that is now before us will be substantive enough that definitely there will be reforms made and not just another report and another hearing and nothing gets done.

Mr. CARLUCCI. Well, I may be biased, because I hold General Powell in such high regard, but I am convinced that he is sincere

about bringing about reform, and he has the talent to do it. He has set about already to co-opt the organization, he is going to lead the troops. He has made that clear.

The other day in a meeting somebody said, well, who do we consult about personnel matters? He said, you consult me. I am the chief personnel officer. That is his attitude. He said, you know, I have taken small steps. I have established a day care center at FSI; I have opened up the building to retirees, to let them come through with a pass; the little things he is doing to set a new tone for the State Department. I have no question that he will make major moves. For example, I was asked earlier what to do on telecommunications. My response is go big. Do it right.

In an earlier study, I had a company I chair, Nortel Networks, look at telecommunications and they came up with an estimate of about \$400 million. Well, the State Department turned that into a pilot project. I don't think you need a pilot project in telecommunications. We know how telecommunications works these days. Go do it. Do it right.

I think General Powell is intrigued with the idea of the chartered overseas building facility; I think if you indicate to him, Mr. Chairman, that there would be receptivity up here, you would find him responsive.

So I think there are a number of things that could move very quickly with the cooperation of this Committee.

Chairman HYDE. Thank you, Mr. Carlucci.

Mr. Leach, the gentleman from Iowa.

Mr. LEACH. Well, thank you, Mr. Chairman. I would obviously like to join my colleagues in expressing great appreciation for your reports, and the time and effort and the moral authority you are giving these issues.

I think it is self-evident that there are management issues and building and infrastructure that are important, but my personal concern, as having once worked in the bowels of the Department, are for people management and the issues that relate to it. It seems to me that the big picture is that we are in an era in which military restraint ought to be the order of the day and diplomatic engagement ought to be the order of the day. That might imply bringing some military back to America, but it should imply sending a lot more diplomats abroad in new and different ways. It was touched on earlier. I have been very concerned with chain-of-command issues within the government and within the Department.

When we talk about right-sizing, it seems to me that there are too many State Department employees in Washington and not enough in the field. It also seems to me that if there is a disease of Secretaries, it is that they cloister decisionmaking and that there is a tendency not to use, but to marginalize the Department in a decisionmaking way. This happens within the White House, it happens within the Department.

One of the reasons that I am particularly impressed with the choice of Secretary Powell is not simply that he is a man of some reputation and some ability, but I personally think that the culture of the Department of Defense is one more attuned to utilizing the Department more universally than the culture of the Department

of State, and that this is an interesting cultural background to bring in a management way at this time.

I am also a major believer in decentralization, and if you just forget diplomacy for a minute, there are two trends in the world, and one trend is away from government and the second trend is toward the world becoming more economically driven. There is not a pundit for the last 30 years that isn't predicting that we are entering a world of geo-economics versus geopolitics. But as you apply that to the State Department, it seems to me self-evident that that means not to be as capitol-intensive as we are. By "capitol," I mean with an O rather than an A, and by that I mean, as Lew mentioned earlier, in France we are experimenting with some smaller places of operation versus simply in Paris.

Economics is all over our country, and it is often not centered in the capital of the country itself. If there is any weakness in our State Department in modern times relative to other foreign services, it is that we are not as engaged in the economic arena as many other countries are engaged in the economic arena, and I think it is interesting when you look at major countries dealing with the United States, they have terrific activities in consulates.

I remember 15 years ago, in this room—and we have a general precept that we make exceptions to—we don't have foreign government representatives speak at formal hearings, we have lunches and teas and that sort of thing. The President of France said to this Committee that he just read an article that the United States Government thought it did not have enough money to fund a consulate in Strasbourg, and therefore, on behalf of the French people, he was offering to pay for it. And he meant that somewhat apocryphally.

But the fact of the matter is that Strasbourg is an important place, in this case not necessarily economic, but for some other reasons. And I think that as a grand strategy, we as a country ought to be looking at increasing the number of diplomatic and economic outposts around the world and getting our people into them and getting them out of Washington, and I think that means a rather substantial investment.

The interesting thing from my perspective is, it has to be propelled immediately. We have had former OMB heads, heads of the Department of State, fine Secretaries like George Shultz. But I am always impressed that at the critical moment, people didn't stand up for the Department of State except for emergencies like when a bomb goes off in Africa, and that this is the time and the month for thinking really big. My element of big is to think more posts with smaller numbers of people and to really get our people out into them.

Let me just end with that and ask if you have any comments.

Mr. CARLUCCI. Well, Congressman Leach, it is a very different world than it was when you and I were FSO-7s. It is a world where you have to interact and handle a broad range of issues, including the economic issue. State has done a lot, as you know, to upgrade its economic activities in recent years, but still more could be done.

The report that I chaired, not this latest one, but an earlier panel that I chaired and on which Colin Powell sat, made the rec-

ommendation, I think it came from Sam Nunn who was a Member, that we try to hold seminars, sessions between the Congress and business people and the State Department to try to get everything moving in tandem. I think we are going to move in the direction that you suggest, more economic outposts, just like Felix Rohatyn has done in France.

Back to an earlier comment about right-sizing. I think, Mr. Lantos, you were asking about right-sizing. Right-sizing, at least in my judgment, means precisely that; it doesn't mean cutting. It means in some places like the Ukraine you may well want to increase your establishment. I think we ought to, as you said, Mr. Leach, be opening more posts, certainly not closing them down. Our country has to be represented in every country of the world, not necessarily by an ambassador, by maybe a charge. We could go back to the system where we had charges and ministers. But we ought to be in every country and we ought to be interacting with other societies in their totality.

Mr. LEACH. I would just like to conclude with one observation, Mr. Chairman.

I am, like everyone that has testified, a big believer in giving ambassadors more power and authority. But one of our witnesses here stood up to his ambassador at one post and was hurt, almost, in the Foreign Service. So you have to have some level of protection against someone that is courageous enough to take on his ambassador as well.

Mr. CARLUCCI. They now have a dissent channel.

Chairman HYDE. Thank you very much.

Mr. Bereuter.

Mr. BEREUTER. Thank you, Mr. Chairman.

Gentlemen, thank you very much for your work on the respective committees and commissions that you have chaired, and I appreciate Chairman Rogers' testimony here today. Actually, I served on a commission that you chaired in the early to mid-1980's, Mr. Carlucci. I think it was on foreign aid.

Mr. CARLUCCI. Foreign aid, yes, sir.

Mr. BEREUTER. You have made a lot of contributions in many ways. There are a great many ways in the sets of recommendations that you have given us, but I will just focus on one that relates to the Office of Foreign Buildings. Chairman Rogers and I met with Secretary Albright to do some mutual lobbying as a result of the Kaden Commission's recommendations, and the only one that was met with a cool shoulder and later outright rejection, I recall, was to eliminate the Office of Foreign Buildings and to create a government corporation overseas facility authority.

I believe we have an impossible backlog of embassy and consulate construction and retrofitting for security reasons, and that we do this, as one of you said, very badly. The only way we are going to make any progress to build secure facilities and to retrofit them to that extent and purpose is to create this new entity. I think the time is right. I was very pleased in visiting with Secretary Powell a couple of weeks ago about this subject and to see that he knew exactly what was in your report, Mr. Kaden. He read it the previous evening, and he had appointed someone that he

trusts, a very competent person whom he trusts very much, to examine this issue for him as a volunteer.

I think the time is right, and I will hope he submits legislation. If not, Mr. Chairman, we ought to consider doing it on a bipartisan basis here. The time is right. This is a recommendation that has come from many sources over a period of years, and we have some problems within the Congress, a little bit of esoterica here. We have a scoring problem with the Budget Committee.

I talked to Mr. Nussle before he was selected as Budget Committee Chairman to forecast this problem, and I think we have an institutional problem within the OMB. But these are things that we could overcome with specific legislative action here. The time is right. We have not only the Nairobi embassy needing replacing, but if you have seen what has happened to our embassy in Belgrade, you know we have another one there that has to be replaced and should not be replaced on site. We have very expensive buildings upcoming in Berlin and Beijing. We need to change the whole way we go about this and privatize it, in effect.

I invite any kind of supporting or supplemental or contrary reports from you gentlemen. That is simply the point I wanted to make here today.

Mr. KADEN. Mr. Bereuter, I appreciate that sentiment and I certainly appreciate your support of that idea and our discussions last year. One of the points we discussed with Secretary Powell is that on the Overseas Presence Panel, one of the architects of that overseas facilities authority concept was Paul O'Neill who was the chairman of ALCOA and a very active member of the panel, and I would say that to the extent we divided responsibility, Paul and Felix Rohatyn and I took the lead on that concept. So hopefully, as Secretary Powell studies it and discusses it with you, Secretary O'Neill can be a participant in that discussion as well.

Mr. CARLUCCI. Let me say I am sure there are going to be problems with OMB, because they don't like government-chartered organizations that don't follow the rules, because it sets an undesirable precedent. But I think Mr. Rogers was absolutely right. It is not an issue of money. The Congress will come up with the money. It is an issue of the State Department being able to implement it properly, and FBO is an organization whose day has come.

Mr. BEREUTER. Thank you. As a matter of fact, without the support of the Administration in the last Congress, we authorized the full amount recommended by the Crowe Commission, and you heard what Chairman Rogers said in the way of appropriations. The Congress is willing to take on this problem, but we need to have a different structure for delivery. Thank you.

Thank you, Mr. Chairman.

Chairman HYDE. Thank you, Mr. Bereuter.

Mr. Smith.

Mr. SMITH. Thank you very much, Mr. Chairman. I want to thank our two distinguished witnesses. I regret I wasn't here for your testimonies. We just reorganized the full Veterans Affairs Committee and I am serving as Chairman, so I didn't get to hear it. But I just really have one basic question and then I would like to submit a few others, if I could.

We have been hearing, and maybe this is something you haven't looked at, but I am always concerned about losing the intent of Congress after something has been very carefully thought through. The International Religious Freedom Act which passed out of our Subcommittee and was enacted into law in the last Congress established a special Ambassador for Religious Affairs to troubleshoot, to look at the state of religious freedom around the world, to make recommendations to the Secretary. We have been getting very disturbing rumors that there is a thought of double-hatting that job, the Ambassador at Large, with the Assistant Secretary for Democracy, Human Rights and Labor, which would just completely throw the position out the window, in my view.

Have you heard anything about that? Do you have any thoughts about that?

Mr. CARLUCCI. No. Mr. Smith, I have not heard anything about that. This is not an issue we addressed in any of the blue ribbon commissions.

Mr. SMITH. I would just like, Mr. Chairman, and I know Mr. Lantos worked on this as well, just to state on the record that this is one of our first hearings, and that at our first hearing of this Full Committee, that that would be a major mistake. Ambassador Sible, when he testified before our Subcommittee late last year, made the point that for the first time that legislation in his office had mainstreamed religious freedom issues into the State Department, which many of us have known through the 1980's into the 1990's were orphans when it came to the human rights work by the State Department; and he himself made that sweeping statement and then elaborated on it. So I would hope that everyone would take note that that is something we do not want to see diminished in any way.

Secondly, I would just like to commend you for your work. Our Subcommittee did produce the Embassy Security Act last year which was signed by the President. As a matter of fact, as Mr. Be-reuter pointed out, it provided substantial amounts of money. The Clinton Administration was planning on bypassing a fiscal year; if their Ambassador Crowe's panel had recommended \$1.4 billion each year for 10 years, they were going to leapfrog and not have any money for fiscal year 2000.

As a result of a bipartisan effort, and Cynthia McKinney was very helpful in that, we were able to craft a bill and that provided, if my memory is correct, 5.9 billion over 5 years authorization for embassy security, and the appropriators stepped up to the plate and at least provided some of that money.

So hopefully we do more, because I think the threat is increasing, not diminishing, and I look forward to looking at all of your recommendations and working with Chairman Hyde to follow up on those, and again, two very distinguished Americans. Thank you for being here.

Chairman HYDE. Thank you, Mr. Smith.

Mr. KERNS.

Mr. KERNS. Thank you, Mr. Chairman.

As a new Member of this Committee, I look forward to working with the Chairman, the Ranking Member and other Members of the Committee. I am a former Hill staffer, and working with a

former Member of Congress, and with people back in Indiana, I would like to see that we have a better response when working with the State Department as we try to help solve problems from people in our own districts or State of Indiana or people across the United States.

My experience has been, when with the former Congressmen in attempting to resolve some issues, those overseas, that sometimes a response has been less than timely or perhaps less than adequate. So, as we move forward in restructuring, looking at new ways we can serve not only people of the United States, but people around the globe, I would like to see better relations between the State Department and with Members of Congress, as we help try to solve some problems.

Thank you, Mr. Chairman.

Mr. CARLUCCI. Just to comment, Mr. Kerns. Improved congressional relations is one of the keystones of our reform for resources strategy in our report, so we would agree with you. Consular people are pretty well swamped. One of the ideas that has come up in one of the blue ribbon panels, actually the one I chair, was to use some of the consular fees to feed back into expanding our consular activities. You might want to take a look at that.

Mr. KERNS. Thank you very much, and thank you for your hard work and being with us today.

Chairman HYDE. Thank you, and as they say, last but not least, Mrs. Davis, the gentlelady from Virginia.

Mrs. DAVIS. Thank you, Mr. Chairman. I would just like to thank the panelists today for all your hard work, and I will just tell you that as a freshman Member, I don't have any questions for you, but I do look forward very much to working with the Chairman and the Committee on the State Department reform. Thank you.

Chairman HYDE. Well, thank you. We have come to the end of our first hearing, and you have made a splendid contribution to a very important subject. We did call this as our first topic of inquiry because that is where it belongs, in our opinion. If we can accomplish something in the direction of reform, and with your aid and guidance, I am sure we can, why, it will be a great accomplishment. So thank you for your contribution, and we will feel free to reach out again and again to you. Thank you.

[Whereupon, at 12:17 p.m., the Committee was adjourned.]

